

# WOOD, WOOD & YOUNG

ATTORNEYS AT LAW

33 1/2 WEST SECOND STREET

US BANK BUILDING

MAYSVILLE, KENTUCKY 41056

WOODSON T. WOOD

ANDREW W. WOOD

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January 10, 2006

Public Service Commission  
Attn: Brent Kirtley  
P.O. Box 615  
211 Sower Blvd.  
Frankfort, KY 40602-0615

RECEIVED

JAN 17 2006

In re: Pinewood Sewer Rate

PUBLIC SERVICE  
COMMISSION

*Case No. 2006-00079*

Dear Brent,

On May 24, 2005, I wrote to you concerning a proposed adjustment in the rates of the Pinewood Sewer System. In response thereto you were kind enough to send me a filled out application for rate adjustment.

Shortly after I received the papers you sent me, the City of Maysville indicated that they were planning to lay a sewer line extending from their present sewer line to the subdivision. However the city is not willing to take over the operation of our system but intends to charge us at a fixed rate per gallon.

The line has never been built, and our expenses are rapidly depleting our reserves, so we need to proceed with the request for a rate adjustment.

Accordingly, I am returning herewith the proposed application you sent me. The only change I see is our total number of customers, which I believe is 63. I must confess that I have never been able to grasp Exhibit A, which shows a pro forma income of less than our expenses, and less than our projected income under the new rate, according to my calculations. However, since I do not know what "pro forma" means, I will rely on your knowledge.

Thank you very much for your assistance in this matter.

Yours truly,



Woodson T. Wood  
Attorney at Law

WTW/dg

Enclosure  
06-01

APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

JAN 17 2006

PUBLIC SERVICE  
COMMISSION

For Small Utilities  
Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

Case No. 2006-00079

Pinewood Subdivision, Inc. d/b/a Pinewood Subdivision Sewer  
Name of Utility

33 1/2 West Second Street  
US Bank Building  
Mayesville, Kentucky 41056  
Business Mailing Address

Telephone Number: (606) 564-9959

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom correspondence or communication concerning this application should be directed:

Name: Woodson T. Wood, Attorney at Law  
Address: Same as above.

Telephone Number: Same as above.

- 1) Do you have 500 customers or fewer?  Yes No
- 2) Do you have \$300,000 in Gross Annual Revenue or less?  Yes No
- 3) Has the utility filed an annual report with this Commission for the past year and the two previous years?  Yes No
- 4) Are the utility's records kept separate from any other commonly-owned enterprise?  Yes No

NOTICE: To be eligible for consideration of the rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answered no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

- (1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 2004.
- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per Annual Report</u>	<u>Amount Per Annual Report</u>	<u>Increase/ (Decrease)</u>	<u>Adjusted Amount</u>
<u>Revenue</u>	\$ _____	\$ _____	\$ _____
Total Revenue	\$ _____	\$ _____	\$ _____

Expense

See Attachment A, Page 1

Total Expense	\$ _____	\$ _____	\$ _____
Revenue Less Expense	\$ =====	\$ =====	\$ =====

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

See Attachment A, Page 2

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>% Increase</u>
Flat Rate Residential	\$14.60	\$22.05	51%
See Attachment A, Page 3 for proposed rate calculation.			
Late Payment Penalty	\$0	10 percent to be applied to delinquent bill one time.	
Returned Check Charge	\$0	\$25	
See Attachment B for cost justification.			

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

None

- 2) Total number of customers as of the date of filing: ~~68~~ <sup>63</sup>

- 3) Total amount of increased revenue requested: \$6,079

- 4) Please circle Yes or No:

- a) Does the utility have outstanding indebtedness? Yes  No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

- b) Were all revenues and expenses listed in the Annual Report for 2004 incurred and collected from January 1 to December 31 of that year? Yes  No

If no, list total revenue and total expense incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2004 and the amount shown on this schedule.  
See Attachment A, Page 2, Item D.
- 6) If utility is a sewer utility:
  - a) Attach a copy of the latest State and Federal Income Tax Returns. N/A. Pinewood Subdivision Sewer's taxable income is reported on tax returns of Pinewood Subdivision Inc.
  - b) How much of the utility plant was recovered through the sale of lots or other contributions? If unknown, state the reason.

100 percent of the plant was constructed by developer and donated to sewer division.

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Current rate is not adequate to fund operations.

#### IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing.

N/A. Pinewood Subdivision Sewer utilizes a flat rate tariff.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding. See Attachment C.

b. An original and 10 copies of the completed application should be sent to:

Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40601  
Telephone: (502) 564-3940

c. One copy of the completed application should also be sent at the same time to:

Office of the Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204  
Telephone: (502) 696-5457

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling (502) 564-3940

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed

\_\_\_\_\_  
Officer of the Company

Title

Date

Pinewood Subdivision Sewer  
Adjusted Operating Statement  
TYE 12/31/04

	Test Year	Adjustment	Ref.	Pro forma
Sewer Service Revenues	8,064.40	3,849.20	(A)	11,913.60
Operating Expenses				
Operation and Maintenance				
Treatment System				
Sludge Hauling	1,940.00			1,940.00
Utility Service - Water Cost	139.62			139.62
Other - Labor Materials and Supplies	1,155.48			1,155.48
Rents	216.10			216.10
Fuel and Power for Pumping	1,267.85			1,267.85
Chemicals	1,786.59			1,786.59
Routine Maintenance Service Fee (Testing)	829.08			829.08
Maintenance of Structures and Improvements	2,250.00	3,750.00	(B)	6,000.00
Customer Records and Collection	129.10			129.10
Administrative and General Salaries	400.00	(400.00)	(B)	-
Insurance	1,157.00			1,157.00
Miscellaneous General Expenses	21.82	1,000.00	(C)	1,021.82
Total Operation and Maintenance	11,292.64	4,350.00		15,642.64
Depreciation	191.00		(D)	191.00
Total Operating Expenses	11,483.64	4,350.00		15,833.64
Net Operating Income	(3,419.24)	(500.80)		(3,920.04)

Pinewood Subdivision Sewer  
Adjusted Operating Statement  
TYE 12/31/04

(A)

To adjust test year revenues to reflect the current number of customers at present rates.

Number of Customers at 12/31/04	68.00
Times: Current monthly flat rate	14.60
12 months	<u>12.00</u>
Pro forma	11,913.60
Less: Test year	<u>(8,064.40)</u>
Adjustment	<u>3,849.20</u>

(B)

During the test year the certified operator was paid \$200 per month for performing the daily maintenance and operation of Pinewood's sewer facilities. The \$200 monthly compensation has been in effect for nine years. Also during the test year Pinewood paid \$100 bi-monthly for bookkeeping and billing services to an individual separate from the operator. Effective August 1, 2005, the certified operator will take over the bookkeeping and billing responsibilities. Beginning August 1, 2005, the certified operator will be paid \$500 monthly to compensate for these additional responsibilities and to increase the maintenance and operation pay to a more appropriate level. The following adjustments to test year operations have been made to reflect these changes in the pro forma. Note that the actual test year expense for the certified operator and bookkeeper do not equal annualization of the monthly and bi-monthly payments as described herein due to untimely payment.

Pro forma monthly payment to Certified Operator	500.00
Times: 12 months	<u>12.00</u>
Pro forma	6,000.00
Less: Test year payments to certified operator	<u>(2,250.00)</u>
Adjustment	<u>3,750.00</u>

To eliminate test year payments to separate bookkeeper.

Adjustment	<u>(400.00)</u>
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(C)

In previous years the owner of Pinewood prepared the Annual Report filed with the Public Service Commission and the quarterly testing reports filed with the Division of Water at no charge. The owner is no longer able to complete these filings and has hired a CPA to perform them hereinafter at a rate of \$1,000 per year. Test year operating expenses have been increased by \$1,000 to account for this change in the pro forma.

Adjustment	<u>1,000.00</u>
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(D)

Test year depreciation was taken on a motor placed into service in 2002 and was calculated as follows:

Original Cost	1,344.00
Divided by: Depreciable Life	<u>7.00</u>
Annual Recovery	<u>192.00</u>

Pinewood Subdivision Sewer  
Revenue Requirement and Rate Calculation  
TYE 12/31/04

Calculation of Revenue Requirement

Pro forma Operating Expenses	15,833.64
Divide by: Operating Ratio	<u>0.88</u>
Revenue Requirement	17,992.77
Less: Pro forma Operating Expenses	<u>(15,833.64)</u>
Allowable Net Operating Income	<u><u>2,159.13</u></u>

Calculation of Monthly Flat Rate

Revenue Requirement	17,992.77
Divided by: Number of Customers	68.00
12 Months	<u>12.00</u>
Monthly Flat Rate	<u><u>22.05</u></u>

Attachment B

**NONRECURRING CHARGE COST JUSTIFICATION**

Type of Charge: Returned Check Charge

1. Field Expense:

A. Materials (Itemize)

_____	\$ _____
_____	_____
_____	_____

B. Labor (Time and Wage)

_____	_____
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**Total Field Expense** \$ \_\_\_\_\_

2. Clerical and Office Expense

A. Supplies \$ \_\_\_\_\_

B. Labor \_\_\_\_\_

**Total Clerical and Office Expense** \$ \_\_\_\_\_

3. Miscellaneous Expense

A. Transportation \$ \_\_\_\_\_

B. Other (Itemize)

<u>Allowable fee pursuant to KRS</u>	_____
<u>514.040 (4) (b)</u>	<u>\$25.00</u>
_____	_____

**Total Miscellaneous Expense** \$ \_\_\_\_\_

**Total Nonrecurring Charge Expense** \$25.00

MAR 24 1977

ARTICLES OF INCORPORATION  
OF PINWOOD SUBDIVISION, INC.

*James D. Davis*  
SECRETARY OF STATE

KNOW ALL MEN BY THESE PRESENT: That we, the under-  
signed, Charles H. McEuen, Jr., Woodson T. Wood, Donald L. Wood  
and Wilburn Applegate, being of lawful age and citizens and resi-  
dents of the Commonwealth of Kentucky, do hereby associate  
ourselves together for the purpose of forming a corporation under  
the laws of Kentucky, as follows:

ARTICLE I

The name of the corporation shall be Pinewood Subdivision,  
Incorporated.

ARTICLE II

The objects and purposes for which this corporation is  
formed, and the nature of the business proposed to be transacted  
and carried on by it is to develop and operate a subdivision,  
including the purchasing, taking, leasing or other acquisition  
or ownership of real estate, the division and sale of lots there-  
from, and any interest or right therein, the operation of sewage  
disposal facilities including the right to charge for said  
operation, and to engage generally in the operation of a subdivision  
as principal, agent, broker, or otherwise; and the doing of all  
things necessary for the management and operation of said sub-  
division and any facility connected therewith, with the right to  
do all things that might be necessary in connection with the  
business to be carried on by said corporation.

ARTICLE III

The duration of this corporation shall be perpetual.

ARTICLE IV

The registered office of the corporation shall be at the offices of 119 W. Second Street Maysville, Kentucky, and the resident agent shall be Charles H. McEuen, Jr., 119 W. Second Street, Maysville, Kentucky.

ARTICLE V

The total number of shares of stock authorized by the corporation shall be one hundred shares of common stock without par value, all of which are subscribed and will be immediately issued by the corporation. The holder of each share of stock shall be entitled to one vote.

ARTICLE VI

The corporation shall commence business with a paid in capital of one thousand (\$1,000.00) dollars.

ARTICLE VII

The names and addresses of each of the incorporators, together with the number of shares subscribed by each, is as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>NO. OF SHARES</u>
Charles H. McEuen, Jr.	119 W. 2nd Street, Maysville, Kentucky	25
Woodson T. Wood	State National Bank Bldg. Maysville, Kentucky	25
Donald L. Wood	State National Bank Bldg. Maysville, Kentucky	25
Wilburn Applegate	R. 1, Tollesboro, Kentucky	25

ARTICLE VIII

There shall be four directors elected at the first meeting of the shareholders to be held as soon as practicable after the issuance of the Certificate of Incorporation. A director need not necessarily be a stockholder, but must be approved by the stockholders.

ARTICLE IX

The names and addresses of the persons who shall serve as directors until the first meeting of shareholders and until their successors are elected and installed are as follows:

<u>NAME</u>	<u>ADDRESS</u>
Charles H. McEuen, Jr.	119 W. 2nd Street Maysville, Kentucky
Woodson T. Wood	State National Bank Bldg. Maysville, Kentucky
Donald L. Wood	State National Bank Bldg. Maysville, Kentucky
Wilburn Applegate	P. 1, Tollesboro, Kentucky

ARTICLE X

The Board of Directors may make By-Laws for the corporation and they may alter same from time to time, subject always to the powers of the shareholders to change or repeal such By-Laws.

ARTICLE XI

The private property of the shareholders shall not be subject to the payment of the debts of the corporation.

ARTICLE XII

Any and all of the stockholders of this corporation may from time to time enter into such agreements as may seem expedient to them, relating to the shares of the stock held by them, and limiting the transferability thereof, and thereafter any transfer of said shares shall be made in accordance with the terms of said agreement, provided that before the actual transfer of said shares in the books of the corporation, written notice of such agreements shall be given to this corporation by filing a copy thereof with the Secretary of the corporation, and a reference to such agreement shall be stamped, written, or printed upon the certificate representing said shares, and the

By-Laws of this corporation shall likewise include proper provisions for the making of such agreements as aforesaid.

ARTICLE XIII

This corporation shall be subject to the provisions of Section 1244 of the Internal Revenue Code of 1954.

ARTICLE XIV

Nothing herein contained shall be construed as giving the corporation any rights, powers or privileges not permitted to it by law, but the occurrence within any of the foregoing clauses of any purpose, power or object prohibited by the laws of the Commonwealth of Kentucky, or of any state in which the corporation may carry on business, shall not invalidate any other purposes, power or object not so prohibited, by reason of its apparent association therewith. The foregoing enumeration of purposes, objects and businesses of the corporation is made in furtherance, and not in limitation, of the powers conferred upon the corporation by law, and especially by the provisions of Chapter 271, Kentucky Revised Statutes, and all other applicable statutes, and is not intended, by the mention of any particular purpose, object or business, to limit or restrict in any manner the generality of any other purpose, object or business mentioned, or to limit or restrict any of the powers of the corporation.

WITNESS the signature of the incorporators herein at Maysville, Mason County, Kentucky, this 22<sup>nd</sup> day of March, 1977.

Carl McEwen  
Wilburn K. Pappalardo  
Donald W. Smith  
Boyd Boyd

STATE OF KENTUCKY  
COUNTY OF MASON...SCT.

I, Jo Ann Silva, a notary public, do hereby certify that on this 22nd day of March, 1977, personally appeared before me C. H. McEuen, Jr., Wilburn K. Applegate, Donald J. Wood and Woodson T. Wood, who, being by me first duly sworn, declared that they are the shareholders in Pinewood Subdivision, Inc., that they signed the foregoing document as incorporators of the corporation, and that the statements therein contained are true.

  
Notary Public, State of Ky. at Large  
My Commission Expires October 11, 1980.

## NOTICE

Pinewood Subdivision, Inc. d/b/a Pinewood Subdivision Sewer has filed an application with the Public Service Commission to increase its sewer rates. The proposed effective date of the change is \_\_\_\_\_, 2005.

	Current	Proposed	% Increase
Single Family Residential Monthly Flat Rate	\$14.60	\$22.05	51%
Returned Check Charge	\$0.00	\$25.00	
Late Payment Penalty	\$0.00	10 percent	

The rates contained in this notice are the rates proposed by Pinewood Subdivision Sewer. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the Company office at 771 Sargent Drive in Owensboro, KY 42301. Upon request from an intervenor, the Company shall furnish to the intervenor a copy of the application and supporting documents.

Pinewood Subdivision Sewer

